



# MEMORANDUM

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**DATE:** January 3, 2005

**TO:** Members of the Mayor and Council  
Subcommittee on Good Government

**FROM:** Karen Thoreson  
Assistant City Manager

**SUBJECT:** Health Care Benefits Report

At June 14, 2004 Mayor and Council Study Session it was requested that staff generate a health care benefits report. This report looks at Tucson as compared to benchmark markets which include other local public entities as well as the Phoenix market.

Staff contracted with Mellon Consultants to conduct the survey. The City instructed Mellon to survey eleven other public entities in both Pima and Maricopa counties. The survey gathered data on both active and retiree populations. Information was collected on health care benefit plan design, rates and premiums, contribution strategies and eligibility policies.

Attached is Mellon's report. It consists of three parts: an Executive Summary, a PowerPoint presentation and Survey Questions with Detailed Survey Results.

Mellon's report on the City of Tucson's benefit program summarizes the following:

- The value for dollars spent is competitive
- It provides a quality program for actives and early retirees
- It is innovative and employs proactive planning strategies

KT:ARS/RJL

Attachment Health Care Benefits Report

cc: The Honorable Kathleen Dunbar, Chair  
The Honorable Jose Ibarra  
The Honorable Fred Ronstadt  
The Honorable Mayor & Council Members  
Michael D. Letcher, City Manager  
Todd Sander, Chief Information Officer



# City of Tucson Employee Benefits Survey

Presented by:  
JoAnn Cipiti  
Mellon Consultants

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## Glossary of Terms

HSA – Tax-advantage trust or custodial account created for the benefit of an individual covered under a high deductible health plan. Contributions can be made by the employer, employee or other means. Amounts not distributed are carried forward. The individual who is the account beneficiary owns the HSA, making the plan portable.

PCP – Primary Care Physician

OB - Obstetrician

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## Glossary of Terms

Alternative Funding – Minimum Premium or ASO (Administrative Service Arrangement). The client assumes more risk for claims expense; fixed costs are lower.

Consumerism/Self Directed Health Care Plan – Building benefit programs which hold employees more accountable for the health care decisions.

HRA – Tax-free health care reimbursement arrangement are funded exclusively by the Employer. Employees use the funds in the account for general health care expenses prior to using traditional health care coverage. Benefit dollars remaining in the account at year-end roll over and may be used to cover future medical costs.

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## Method of Approach

- Twelve entities selected (including the City)
- Written employee benefit material collected
- Web Survey Tool to each entity
- Verbal validation of collected information
- Validation with benefit material collected
- Peer Review
- Presentation

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## Public Entities Surveyed

- City of Glendale
- City of Mesa
- City of Oro Valley
- City of Peoria
- City of Phoenix
- City of Scottsdale
- City of Tempe
- City of Tucson
- Pima County
- Pima County Community College
- Tucson Unified School District
- University of Arizona

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## Survey should answer the following questions:

- How do the City's employee benefit programs compare for actives and retirees?
  - Contribution
  - Benefit Designs
  - Price
- Is there a long term strategy theme?
  - Do these entities have Wellness programs?
- How often entities have changed Carriers & Why?

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## About the Carriers

- Carrier Trends are relatively the same
- Of the 6 entities in Pima County, 3 are insured thru PacifiCare, Oro Valley is insured thru Aetna, and 2 are alternative-funded via United
- Of the 6 entities in Maricopa County, 2-Cigna, 3-Blue Cross Blue Shield, 2-Aetna. Note: Blue Cross Blue Shield clients are alternative funding, Aetna & Cigna are insured.

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## City of Tucson is Competitive

- City of Tucson is Competitive in rates, contribution & benefits for active & retirees
- Coverage for pre-65 retirees results in higher average age on City of Tucson's plan as compared to Pima County
- City of Tucson's low turnover coupled with retiree benefits means long term coverage on the City's plans
- City of Tucson is innovative and proactive in long term strategy
  - Consumerism
  - Wellness efforts

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## How do Benefits compare within Pima County?

Benefits	Pacific Care HMO		
	City of Tucson	Pima County	PCCCDistrict
Employer Portion of Single Premium	\$275.48	\$214.11	\$281.54
Employee Portion of Single Premium	\$0.00	\$0.00	\$0.00
<b>Total SINGLE PREMIUM</b>	<b>\$275.48</b>	<b>\$214.11</b>	<b>\$281.54</b>
% of Dependent premium Paid by Employer	88%	80%	0%
Out of Pocket Maximums	\$2,000/\$4,000	\$4,000/\$12,000	\$2,000/\$4,000
<b>Office Visits</b>			
PCP Office Visits	\$15	\$25	\$15
Specialist Office Visits	\$25	\$40	\$30
First OB Visit	\$15	\$25	\$15
<b>Outpatient</b>			
Diagnostic Outpatient Testing	0%	0%	0%
Imaging (MRI, CT, PET)	\$100	\$250	\$100
Physical, Occupational, Speech Therapy	\$25	\$40	\$30
Outpatient Surgery	10%	\$500	\$250
Emergency Room	\$100 Waived if admitted	\$125 NOT Waived if admitted	\$100 NOT Waived if admitted
Urgent Care	\$25	\$40	\$30
Home Care	\$25	\$40	\$30
<b>Inpatient</b>			
Hospitalization	10% subject to annual out of pocket maximum	\$500 Co-pay/day maximum 3 days	\$250 Co-pay/day maximum 3 days

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## Other Benefits

Benefits	Pacific Care HMO		
	City of Tucson	Pima County	PCCCDistrict
<b>Mental Health/Substance Abuse</b>			
Inpatient Mental Health - OPTIONAL	No Cost - 30 days	No Cost - 30 days	No Cost - 30 Days
Outpatient Mental Health - OPTIONAL	\$25 Co-pay	\$40 Co-pay maximum 20 visits	\$30 Co-pay maximum 20 visits
Substance Abuse	No cost Inpatient \$25 Co-pay Outpatient	No Cost Inpatient \$40 Co-pay Outpatient	No Cost Inpatient \$30 Co-pay Outpatient
<b>Other</b>			
Routine Eye Exams	\$25	\$40	\$30
Routine Physicals	\$15	\$25 - PCP \$40 - Specialist	\$15 - PCP \$30 - Specialist
Chiropractic Care	\$15	\$25	\$15
<b>Prescription Drugs - Retail</b>			
Generic	30% (Min of \$5, Max of \$10)	\$10	\$5 - \$15
Brand	35% (Min of \$15, Max of \$30)	\$35	\$25 - \$60
Non-Formulary	35% (Min of \$30, Max of \$50)	None	None
<b>Prescription Drugs - Mail Order</b>			
Generic	30% (Max of \$20)	\$20	\$10
Brand	35% (Max of \$50)	\$70	\$55
Non-Formulary	35% (Max of \$75)	None	None

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## How do Benefits compare within Pima County?

Benefits	Pacific Care HMO	UHC Choice HMO	Various	Aetna
	City of Tucson	TUSD	U of A	Oro Valley
Employer Portion of Single Premium	\$275.48	\$271.47	\$302.00	\$238.10
Employee Portion of Single Premium	\$0.00	\$0.00	\$25.00	\$0.00
Total SINGLE PREMIUM	\$275.48	\$271.47	\$327.00	\$238.10
% of Dependent premium Paid by Employer	88%	0%	85%	75%
Out of Pocket Maximum Limits	\$2,000/\$4,000	\$2,000/\$6,000	Unlimited	Unlimited
<b>Office Visits</b>				
PCP Office Visits	\$15	\$20	\$10	\$15
Specialist Office Visits	\$25	\$20	\$10	\$25
First OB Visit	\$15	\$20	\$10	\$25
<b>Outpatient</b>				
Diagnostic Outpatient Testing	0%	\$0	\$0	\$25
Imaging (MRI, CT, PET)	\$100	\$0	\$0	\$25
Physical/Occupational, Speech Therapy	\$25	\$20	\$10	\$25
Outpatient Surgery	10%	0%	0%	\$100
Emergency Room	\$100 Waived if admitted	\$100 per visit	\$75 Waived if admitted	\$100 Waived if admitted
Urgent Care	\$25	\$35	\$20	\$50
Home Care	\$25	\$0	\$0	\$0
<b>Inpatient</b>				
Hospitalization	10% subject to annual out of pocket maximum	\$150 Co-pay	0%	\$100 Co-pay

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## Other Benefits

Benefits	Pacific Care HMO	UHC Choice HMO	Various	Aetna
	City of Tucson	TUSD	U of A	Oro Valley
<b>Mental Health/Substance Abuse</b>				
Inpatient Mental Health - OPTIONAL	No Cost- 30 days	\$150 per stay/limited to 30 days	\$0	\$240 per admit, limited to 30 days
Outpatient Mental Health - OPTIONAL	\$25 Co-pay	\$20 Co-pay max of 20 visits	\$10	\$25 Co-pay max of 20 visits
Substance Abuse	No cost inpatient \$25 Co-pay Outpatient	\$150 inpatient, \$20 Co-pay Outpatient, combined with mental health	\$0 - inpatient, \$10 Co-pay Outpatient	\$240 inpatient/30 day max; \$25 Co-pay/limited 20 visits, detox \$240/adm
<b>Other</b>				
Routine Eye Exams	\$25	\$20	Not Available	\$25
Routine Physicals	\$15	\$20	\$10, limited to \$250	\$15
Chiropractic Care	\$15	\$20	\$10	\$25/20 visits max
<b>Prescription Drugs - Retail</b>				
Generic	30% (Min of \$5, Max of \$10)	\$10	\$10	\$10
Brand	35% (Min of \$15, Max of \$30)	\$20	\$20	\$20
Non-Formulary	35% (Min of \$30, Max of \$50)	\$50	\$40	\$35
<b>Prescription Drugs - Mail Order</b>				
Generic	30% (Max of \$20)	\$25	\$20	\$20
Brand	35% (Max of \$50)	\$50	\$40	\$40
Non-Formulary	35% (Max of \$75)	N/A	\$80	\$70

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## How do Benefits compare within Maricopa County?

Benefits	Pacificare City of Tucson	BCBS HMO Plan City of Glendale	Self Administered City of Mesa
Employer Portion of Single Premium	\$275.48	\$289.98	\$205.00
Employee Portion of Single Premium	\$0.00	\$0.00	\$58.00
<b>Total SINGLE PREMIUM</b>	<b>\$275.48</b>	<b>\$289.98</b>	<b>\$263.00</b>
% of Dependent premium Paid by Employer	88%	67%	85%
Out of Pocket Maximum Limits	\$2,000/\$4,000	Unlimited	\$2,000/\$4,000
<b>Office Visits</b>			
PCP Office Visits	\$15	\$20	\$15
Specialist Office Visits	\$25	Not Available	\$15
First OB Visit	\$15	Not Available	\$15
<b>Outpatient</b>			
Diagnostic Outpatient Testing	0%	Not Available	\$0
Imaging (MRI, CT, PET)	\$100	Not Available	\$0
Physical, Occupational, Speech Therapy	\$25	Not Available	\$15
Outpatient Surgery	10%	0%	0%
Emergency Room	\$100 Waived if admitted	Not Available	\$100 Co-pay Waived if Admitted
Urgent Care	\$25	Not Available	\$50 Co-pay
Home Care	\$25	Not Available	\$15 Co-pay/60 day max
<b>Inpatient</b>			
Hospitalization	10% subject to annual out of pocket maximum	Not Available	0%

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## Other Benefits

Benefits	Pacificare City of Tucson	BCBS HMO Plan City of Glendale	Self Administered City of Mesa
<b>Mental Health/Substance Abuse</b>			
Inpatient Mental Health - OPTIONAL	No Cost- 30 days	Not Available	No Cost - 45 days
Outpatient Mental Health - OPTIONAL	\$25 Co-pay	Not Available	\$15 Co-pay, 25 visits per year
Substance Abuse	No cost Inpatient \$25 Co-pay Outpatient	Not Available	Combined with mental health; limit of 2 courses of treatment per lifetime
<b>Routine Eye Exams</b>			
Routine Eye Exams	\$25	Not Available	Not covered
Routine Physicals	\$15	Not Available	\$15
Chiropractic Care	\$15	Not Available	\$15
<b>Prescription Drugs - Retail</b>			
Generic	30% (Min of \$5, Max of \$10)	\$7	\$15
Brand	35% (Min of \$15, Max of \$30)	\$20	\$30
Non-Formulary	35% (Min of \$30, Max of \$50)	\$40	\$60
<b>Prescription Drugs - Mail Order</b>			
Generic	30% (Max of \$20)	\$14	\$30
Brand	35% (Max of \$50)	\$40 - 80	\$60
Non-Formulary	35% (Max of \$75)	N/A	\$120

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## How do Benefits compare within Maricopa County?

Benefits	Pacificare	BCBS Blue Choice	Aetna EPO Plan
	City of Tucson	City of Peoria	City of Scottsdale
Employer Portion of Single Premium	\$275.48	\$264.00	\$290.00
Employee Portion of Single Premium	\$0.00	\$0.00	\$0.00
<b>Total SINGLE PREMIUM</b>	<b>\$275.48</b>	<b>\$264.00</b>	<b>\$290.00</b>
% of Dependent premium Paid by Employer	88%	85%	80%
Out of Pocket Maximum Limits	\$2,000/\$4,000	Unlimited	\$1,500/\$3,000
<b>Office Visits</b>			
PCP Office Visits	\$15	\$10	\$15
Specialist Office Visits	\$25	\$25	\$25
First OB Visit	\$15	\$25	\$15
<b>Outpatient</b>			
Diagnostic Outpatient Testing	0%	\$0	0%
Imaging (MRI, CT, PET)	\$100	\$0	0%
Physical, Occupational, Speech Therapy	\$25	\$0	\$15
Outpatient Surgery	10%	\$0	\$100 Co-pay
Emergency Room	\$100 Waived if	\$50	\$100 Co-pay
Urgent Care	\$25	\$25	\$50 Co-pay
Home Care	\$25	\$0	\$15 Co-pay
<b>Inpatient</b>			
	10% subject to annual out of pocket maximum		
Hospitalization		\$350 Co-pay/adm	\$150 Co-Pay/adm

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## Other Benefits

Benefits	Pacificare HMO	BCBS Blue Choice	Aetna EPO Plan
	City of Tucson	City of Peoria	City of Scottsdale
<b>Mental Health/Substance Abuse</b>			
Inpatient Mental Health - OPTIONAL	No Cost- 30 days	\$350 Co-pay/adm; Max of 30 days per 24 mth period	\$150 Co-pay/adm; Covered at 80%
Outpatient Mental Health - OPTIONAL	\$25 Co-pay	\$10 Co-pay; Max of \$100 individual; \$200 family	0%
Substance Abuse	No cost Inpatient \$25 Co-pay Outpatient	Inpatient \$350/adm; limited to 3 days per 24 mths	Outpatient - unlimited visits; Inpatient - \$250 deductible and covered at 20%
Routine Eye Exams	\$25	N/A	\$10 Co-pay
Routine Physicals	\$15	\$10 Co-pay; one exam/year	\$15 Co-pay
Chiropractic Care	\$15	\$25 Co-pay/max of 12 visits	\$15 Co-pay/max 20 Visits
<b>Prescription Drugs - Retail</b>			
Generic	30% (Min of \$5, Max of \$10)	\$7	10% (\$10 Min-\$20 Max)
Brand	35% (Min of \$15, Max of \$30)	\$15	20% (\$20 Min-\$40 Max)
Non-Formulary	35% (Min of \$30, Max of \$50)	\$30	40% (\$40 Min-\$80 Max)
<b>Prescription Drugs - Mail Order</b>			
Generic	30% (Max of \$20)	\$7	\$20
Brand	35% (Max of \$50)	\$15	\$50
Non-Formulary	35% (Max of \$75)	N/A	\$100

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## How do Benefits compare within Maricopa County?

Benefits	Pacificare City of Tucson	Cigna - POS City of Phoenix	Cigna - HMO City of Tempe
Employer Portion of Single Premium	\$275.48	\$276.06	\$327.00
Employee Portion of Single Premium	\$0.00	\$69.00	\$0.00
<b>Total SINGLE PREMIUM</b>	<b>\$275.48</b>	<b>\$345.06</b>	<b>\$327.00</b>
% of Dependent premium Paid by Employer	88%	80%	70%
Out of Pocket Maximum Limits	\$2,000/\$4,000	\$0 - In-Network \$2,300 - OON	Unlimited
<b>Office Visits</b>			
PCP Office Visits	\$15	\$10	\$15
Specialist Office Visits	\$25	\$10	\$30
First OB Visit	\$15	\$10	\$30
<b>Outpatient</b>			
Diagnostic Outpatient Testing	0%	\$25 Co-pay	\$0
Imaging (MRI, CT, PET)	\$100	\$0	\$0
Physical/Occupational, Speech Therapy	\$25	\$0	\$30
Outpatient Surgery	10%	\$25 Co-pay	\$125 Co-pay
Emergency Room	\$100 Waived if	\$50 Co-pay	\$75 Co-pay
Urgent Care	\$25	\$20 Co-pay	\$35 Co-pay
Home Care	\$25	\$0	\$0
<b>Inpatient</b>			
	10% subject to annual out of pocket maximum		
Hospitalization		\$100 Co-pay	\$250 Co-pay

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## Other Benefits

Benefits	Pacificare HMO City of Tucson	Cigna - POS City of Phoenix	Cigna - HMO City of Tempe
<b>Mental Health/Substance Abuse</b>			
Inpatient Mental Health - OPTIONAL	No Cost- 30 days	\$100 Co-pay	\$50 Co-pay/30 days; combined with substance abuse
Outpatient Mental Health - OPTIONAL	\$25 Co-pay	\$10 Co-pay (In- Network only)	\$15 Co-pay/40 visits/yr. combined with substance abuse
Substance Abuse	No cost Inpatient \$25 Co-pay Outpatient	Detox - \$100 Co- pay/12 days/year; Substance abuse: Inpatient - \$100/30/days/year; Outpatient - \$10 Co- pay/max of 30 visits	Inpatient - \$50 Co-pay/30 day max; Outpatient - \$15 Co- pay/40 visits/yr. combined with mental health
Routine Eye Exams	\$25	\$5	\$10/every 24 mths
Routine Physicals	\$15	\$10	\$15
Chiropractic Care	\$15	\$10	\$30
<b>Prescription Drugs - Retail</b>			
Generic	30% (Min of \$5, Max of \$10)	\$10	\$7
Brand	35% (Min of \$15, Max of \$30)	\$20	\$20
Non-Formulary	35% (Min of \$30, Max of \$50)	Pre-auth	N/A
<b>Prescription Drugs - Mail Order</b>			
Generic	30% (Max of \$20)	\$15	\$16
Brand	35% (Max of \$50)	\$15	\$55
Non-Formulary	35% (Max of \$75)	N/A	N/A

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## HMO Rate Comparison (lowest to highest)

- Pima County
- Oro Valley
- City of Mesa
- City of Peoria
- TUSD
- City of Tucson
- Pima Community College District
- City of Glendale
- City of Scottsdale
- University of Arizona
- City of Tempe

Note: City of Phoenix does not offer an HMO

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## PPO Rate Comparison (lowest to highest)

- City of Mesa
- Pima County
- Pima County Community college
- City of Glendale
- TUSD
- Pima Community College District
- City of Tucson
- City of Tempe
- City of Scottsdale
- City of Peoria
- U of A

Note: Oro Valley does not offer a PPO

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## Other Significant Differences

- 5 of 6 Pima County entities offer Domestic Partner coverage. (U of A does not)
- 1 of 6 Maricopa County entities offer Domestic Partner coverage (City of Phoenix)
- All entities offer HMO products except City of Phoenix
- 10 entities offer a PPO product
- City of Tucson has an HRA (health reimbursement account) and City of Scottsdale has an HSA (health savings account)

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## Other Significant Differences

- Pima County, TUSD, & U of A do not fund an opt out offer. Nor does City of Glendale, Oro Valley, Peoria or Phoenix.
- Pima County does not allow the retiree to re-enter the plan if there has been a previous opt out. Nor do most other entities
- Pima County, City of Glendale, Scottsdale, & Tempe charge the same rate for pre-65 retirees as for actives.

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## What are Long Term Strategies

- City of Tucson is the only one of the 12 entities surveyed to engage in a Long Term Strategy to address future cost increases
  - Movement to Consumerism (self directed health plan) and Wellness Program
- 7 respondents are anticipating budgets increases as well as shifting costs through deductible and/or co-pay changes in plan designs
- 3 respondents are considering shifting costs to maintain current budgets

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## Wellness Programs

- 3 entities integrate Internal and Carrier Wellness program
  - City of Tucson
  - City of Glendale
  - University of Arizona
- 6 entities do not integrate Internal Wellness program with Carrier's program
- 3 entities do not offer any Wellness programs

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## Specific Observations of Interest:

- 11 of 12 entities indicated they have heard of Consumerism
- Most public entities are unsure of the concept of HRA's
- 9 respondents indicated they expect to budget for trend increases next year
- Maricopa County entities require higher average hours worked to be eligible for employee benefits
- 3 respondents expect to shift costs to employees
- Pima County entities expect to stay with HMO's
- Maricopa county continues to move into POS or PPO programs.
- Rates in Pima County are lower than in Maricopa County

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## In Summary, City of Tucson

- Value for Dollars spent is competitive
- Provides a quality program for active employees and early retirees
- Benefits offered are highly competitive with like entities in Pima County
- Is innovative and employs proactive planning strategies

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## **SURVEY OBJECTIVE:**

The City of Tucson engaged JoAnn Cipiti of Mellon Consultants to survey 11 identified public entities and compare and contrast the information submitted by these entities. All eleven entities responded to the survey request. The questions that were to be answered as a result of this effort were as follows:

- ☐ How do the surveyed entities compare in benefits and price with the City of Tucson's active and retiree's programs?
- ☐ What are the surveyed entities' contribution strategies for actives and retirees
- ☐ Is there a comprehensive long term strategy for benefit design and what is the strategy
- ☐ Are wellness programs a long-term goal?
- ☐ How often over the last 5 years the surveyed entities have changed carriers and why.

A web tool was designed and developed to meet the project objectives. The survey tool was broken into six sections: Eligibility, Benefits, Rates, Program Rules, Enrollment, and Employee Benefit Strategies. A total of 53 questions were included in this survey. Tables for rates, enrollment and benefit coverage levels were included.

Eleven public sector clients were selected by the City of Tucson. These respondents are identified as:

- |                       |                                    |
|-----------------------|------------------------------------|
| 1. City of Glendale   | 7. City of Tempe                   |
| 2. City of Mesa       | 8. City of Tucson                  |
| 3. City of Oro Valley | 9. Pima County                     |
| 4. City of Peoria     | 10. Pima County Community College  |
| 5. City of Phoenix    | 11. Tucson Unified School District |
| 6. City of Scottsdale | 12. University of Arizona          |

All eleven entities agreed to respond.

**\*\*Glossary of terms located on page 7\*\***

## Benefits and Rates

The City's HMO benefits and rates are competitive with the respondent's HMO plans.

	Employee Only Premium	Office Visit Co-Pay	Inpatient Hospital Co-Pay	Inpatient Hospital Deductible	Out-Patient Surgery Co-Pay	Out-of-Pocket Maximums	Durable Medical Equip Co-Pay	RX Retail	RX Mail
Glendale	\$289.98	\$20	-0-	-0-	-0-	Unlimited	-0-	\$7/20/40	\$14/40-80
Mesa	\$263.00	\$15	-0-	-0-	-0-	\$2,000/\$4,000	\$15	\$15/30/60	\$30/60
Oro Valley	\$238.10	\$10	\$100	-0-	-0-	Unlimited	-0-	\$10/20/35	\$20/40
Peoria	\$264.00	\$10/25	\$350	-0-	-0-	Unlimited	-0-	\$7/15/30	\$7/15
Phoenix	\$345.06	\$10	\$100	-0-	\$25	\$0 – In Network \$2,300 Out of Network	30/70%	\$10/20/PreA	\$15/\$15
Scottsdale	\$290.00	\$15	\$150	-0-	\$100	\$1,500/\$3,000	-0-	\$10/20/40	\$20/50
Tempe	\$327.00	\$15/30	\$250	-0-	125		-0-	\$7/20	\$16/55
City of Tucson	\$275.48	\$15/25	10%	-0-	10%	\$2,000/\$4,000	-0-	30%/ \$10 35%/ \$30 35%/ \$50	30%/ \$20 35%/ \$50 35%/ \$75
Pima County	\$214.11	\$25/40	\$250/ day*3	-0-	\$500	\$4,000/\$12,000	-0-	\$10/20	\$20/40
PCCC District	\$281.54	\$15/30	\$250	-0-	\$250	\$2,000/\$4,000	-0-	\$5-15/25-60	\$10/55
TUSD	\$271.47	\$20	\$150	-0-	-0-	\$2,000/\$6,000	-0-	\$10/20/50	\$25/50
U of A	\$327.00	\$10	-0-	-0-	-0-	Unlimited	-0-	\$10/20/40	\$6.67/\$13.33

## Employer Contribution

	Employee Contribution	Family Contribution	Dependent Contribution	Employer Contribution	Family Contribution	Dependent Contribution
Employee	\$289.98	\$205	\$238.10	\$264	\$276.06	\$290
Family	\$327.41	\$515	\$398.22	\$824	\$519.52	\$380
%	100%	95-90%	100%	100%	80%	100%
Employee						
%	66.67%	85%	75%	76% and 80%	80%	87%
Dependent						85% (Family)
Employee	\$349	\$275.48	\$214.11	\$281.54	\$271.47	\$302
Family	\$775	\$497.89	\$351.24	0	0	\$390
%	100%	100%	100%	100%	100%	92%
Employee						
%	70%	88%	81%	0%	0%	80%
Dependent						



### **Benefit Design Strategies**

Two of the twelve entities studied are engaged in a long-term employee benefits strategy. One entity implemented a consumer driven option (City of Tucson), and one is looking at ways to manage costs while maintaining a quality program. Three of the ten remaining are considering shifting costs to maintain current budgets. The other seven are anticipating an increase in their budgeted costs as well as shifting cost through possible deductible or co-pay changes in the plan designs.

Most of the respondents identify cost as a driving factor for change. Due to cost awareness, the pharmacy plan designs appear to be the first benefit to experience a cost shift for the majority of the entities surveyed. The second is hospital deductibles/co-pays or co-insurance, then office visit benefits.

The benefits and programs offered to employees by respondents are very similar. The City of Tucson appears to offer a program that is comparable in benefits and rates to the other entities in Tucson. Eligibility requirements are as follows:

- ❑ Six respondents offer benefits at 20 hours a week and five offer benefits at 30 or 40 hours per week. Respondents in the education sector and in Maricopa County only provide benefits for those employees who work 30 or 40 hours per week. Municipalities tend to offer benefits at a lower workweek threshold of 20 hours.
- ❑ Elected officials are eligible for benefits in all responding municipalities.

### **Wellness Programs:**

Most entities rely on carriers to provide wellness programs and managed care. A few of the entities indicate that they are becoming more aware of the importance of wellness, however, they continue to look toward the medical program to provide, initiate, and support wellness efforts. This primarily is attributed to respondent's budget and lack of infrastructure to execute. Respondents with alternatively funded programs administered through TPAs and Blue Cross and Blue Shield of Arizona continue to provide some wellness, however, less than those with insured programs.

### About the Carriers:

Survey results indicate that schools change carriers more often than municipalities. The larger the entity the less likely they are to change carriers. The carriers providing coverage are shown with the corresponding entities.

PacifiCare 8,9,10	3	United Health Care 11, 12	2
Cigna 5,7	2	Self funded TPA 12	1
Blue Cross Blue Shield AZ 1,2,4,11	4		
Aetna 3,6	2		

Six entities are insured and six entities are in an alternative funded arrangement. The Blue Cross Blue Shield of AZ and the TPA vendors are not insured programs and provide alternative funded arrangements. It is important to note that groups over 100 employees with Blue Cross and Blue Shield of Arizona are typically underwritten on a partially self-funded basis.

Carriers are not currently providing renewals with multiple year caps on future year rates due to unstable trends and movement from pure HMO plan designs.

Carrier trends are relatively the same in the Arizona marketplace (see Mellon's National Health Care Trend Survey Second Half 2004).

### Significant Differences:

- ☐ Five of six Pima County entities offer Domestic Partner coverage. The University of Arizona does not offer domestic partner coverage.
- ☐ All respondent entities offer at least one HMO product except the City of Phoenix.
- ☐ Ten respondents entities offer a PPO product.
- ☐ The City of Tucson has an HRA product and City of Scottsdale has an HSA product.
- ☐ Pima County, Tucson Unified School District and The University of Arizona do NOT fund an opt-out program for employees. Should an employee of Pima County elect to opt-out, they cannot re-enter the program.
- ☐ Pima County's PPO benefits are slightly lower than The City of Tucson's and Pima Community College District's.

**Retiree Medical:**

- ☐ Pima County, City of Glendale, Scottsdale, and Tempe charge the same employee rate for the pre-65 retiree as for the active retiree.
- ☐ City of Tucson, Tucson Unified School District, The University of Arizona, City of Mesa, City of Oro Valley, and City of Peoria all charge retirees a higher contribution rate for the medical program. The contribution is 20% of the premium or more in all cases but one.
- ☐ Pima County, Tucson Unified School District, City of Glendale, City of Mesa, and City of Scottsdale all participate in ASRS for medical coverage for retirees.
- ☐ City of Tucson, Oro Valley and City of Phoenix do not participate for pension or medical benefit programs.
- ☐ Enrollment in the retiree program for participating respondents:

	City of Glendale	City of Phoenix	City of Scottsdale	City of Tucson	TUSD
Pre-65	196	1529	150	926	476
Post-65	148	1462	0	454	162



Alternative Funding – Minimum Premium or ASO (Administrative Service Arrangement). The client assumes more risk for claims expense; fixed costs are lower.

Consumerism – Building benefit programs which hold employees more accountable for the health care decisions.

HRA – Tax-free health care reimbursement arrangement are funded exclusively by the Employer. Employees use the funds in the account for general health care expenses prior to using traditional health care coverage. Benefit dollars remaining in the account at year-end roll over and may be used to cover future medical costs.

HSA – Tax-advantage trust or custodial account created for the benefit of an individual covered under a high deductible health plan. Contributions can be made by the employer, employee or other means. Amounts not distributed are carried forward. The individual who is the account beneficiary owns the HSA, making the plan portable.

PCP – Primary Care Physician

OB - Obstetrician

CURRENT (03-04)

FUTURE (04-05)

	EE	Subsidy	ER	EE	Subsidy	ER	% ER Increase
City of Tucson	5.00%		11.17%	5.00%		14.06%	26%
Arizona State Retirement System (see note 1)	5.20%		5.20%	5.20%		5.20%	0%
City of Phoenix Retirement System	5.00%		9.17%	5.00%		9.97%	9%
Public Safety Personnel Retirement System (see note 2)							
<input type="checkbox"/> City of Tucson Police	5.00%	2.65%	9.84%	5.00%	2.65%	13.33%	35%
<input type="checkbox"/> City of Tucson Firefighters	5.00%	2.65%	9.29%	5.00%	2.65%	14.69%	58%
<input type="checkbox"/> City of Phoenix Police	7.65%		6.43%	7.65%		10.50%	63%
<input type="checkbox"/> City of Phoenix Firefighters	7.65%		6.59%	7.65%		11.15%	69%
<input type="checkbox"/> Pima County Sheriff	4.00%	3.65%	11.36%	4.00%	3.65%	13.69%	21%
<input type="checkbox"/> City of Mesa Police	7.65%		8.97%	7.65%		9.54%	6%
<input type="checkbox"/> City of Mesa Firefighters	7.65%		6.76%	7.65%		9.04%	34%
<input type="checkbox"/> City of Scottsdale Police	7.65%		7.77%	7.65%		8.96%	15%
<input type="checkbox"/> City of Scottsdale Firefighters	N/A		N/A	N/A		N/A	
<input type="checkbox"/> City of Tempe Police	7.65%		9.73%	7.65%		11.15%	15%
<input type="checkbox"/> City of Tempe Firefighters	5.65%	2.00%	7.16%	5.65%	2.00%	8.30%	16%
Elected Officials Retirement Plan (PSPRS)							
<input type="checkbox"/> City of Tucson	7.00%		13.49%	7.00%		14.54%	8%

**NOTE #1:** ASRS rates for all employers set at the same throughout the state, their rates are adjusted bi-annually. A current estimate of their FY 2006 rate is projected at 7.75% (a 49% increase.)

**NOTE #2:** for PSPRS contributions – standard employee contribution rate is 7.65%. The City of Tucson sworn employees pay 5.00% with a subsidy of 2.65% in addition to the normal employer rate (subsidized rates are shown at adjusted amount for employee and employer).

*Mellon contacted each entity to validate & update the information on the contribution sheet above. ASRS was the only entity that had the update available.*